

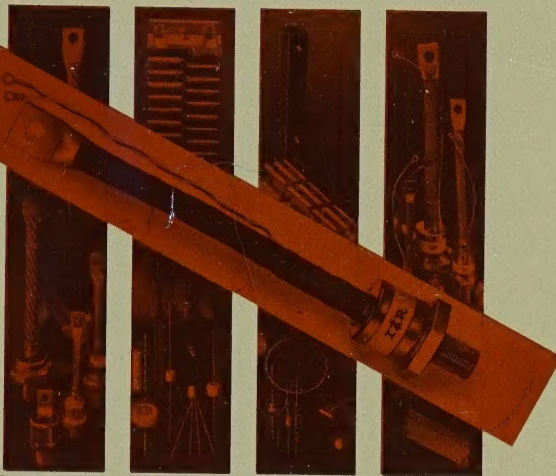
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International Rectifier 1967 Annual Report

FOR THE YEAR ENDED JUNE 30, 1967

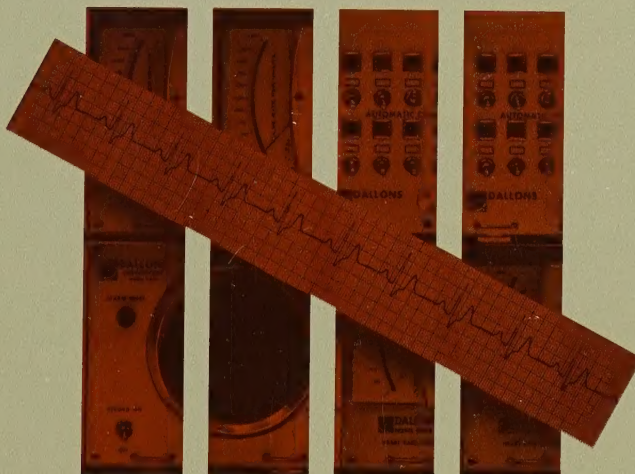
1947 ■ TWENTY YEARS IN THE VANGUARD OF TECHNOLOGY ■ 1967



SEMICONDUCTOR TECHNOLOGY



PHARMACEUTICAL TECHNOLOGY



MEDICAL ELECTRONICS TECHNOLOGY



MATERIALS TECHNOLOGY

OFFICERS

Eric Lidow, President
Nelson P. Bosted, Executive Vice President
Leon Lidow, Executive Vice President - Finance
Dr. George Krsek, Executive Vice President - Pharmaceuticals
Angus A. Scott, Vice President - Semiconductors
George H. Foster, Vice President - Metallurgical Alloys
Harry A. Cohen, Treasurer
Alan Stamm, Secretary and General Counsel

DIRECTORS

Eric Lidow
Leon Lidow
Richard M. Link,
Senior Vice President, Blyth & Co, Inc.
Warner Heineman,
Executive Vice President, Union Bank
Robert M. Allan, Jr.
President, Litton International Development Corporation

TRANSFER AGENTS

Union Bank
445 South Figueroa Street, Los Angeles, California 90017
The Bank of New York
48 Wall Street, New York, New York 10015

REGISTRARS

Security First National Bank
124 West Fourth Street, Los Angeles, California 90013
Morgan Guaranty Trust Company of New York
23 Wall Street, New York, New York 10015

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Lybrand, Ross Bros. & Montgomery
548 South Spring Street, Los Angeles, California 90013

ANNUAL MEETING

The Annual Meeting of Shareholders will be held on Wednesday, November 22, 1967. Shareholders will be informed of the exact time and location.

All marketing figures and forecasts included in this report have been compiled by the Company's Marketing Department from published industry and government statistics.

The purpose of this report is to furnish information about the Company, and it is not a prospectus or circular in respect to any stock or other securities of the Company, and it is not transmitted in connection with any sale or offer to sell or buy any stock or security of the Company now issued, or that may hereafter be issued.

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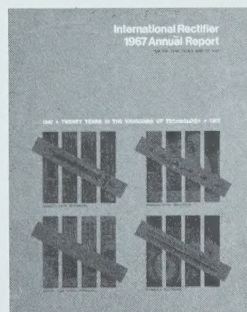
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HIGHLIGHTS OF OPERATIONS

	<u>1967</u>	<u>1966</u>
Sales	\$35,599,523	\$30,009,901
Income before income taxes	4,418,903	3,881,741
Net income	2,590,020	2,268,523
Per share	\$1.00	\$.88
Net additions to property, plant and equipment	2,750,689	2,397,226
Net working capital — year end	13,969,288	9,067,763
Ratio of current assets to current liabilities	3.5 to 1	2.5 to 1
Shareholders' equity — year end	15,820,718	13,087,226
Number of shareholders	4,808	4,153
Number of employees (including foreign associate companies)	2,615	2,208



ON THE COVER: Four groups of five tally marks symbolize twenty years of International Rectifier Corporation growth and the four technological fields it operates in today

To Our Shareholders:

In the twenty years since International Rectifier's founding, Man has learned as much about his universe as he had learned in all prior recorded history. It is remarkable to recall that when IR opened its doors in 1947 with six employees producing selenium rectifiers, the transistor (and the solid state revolution it triggered) had not yet been invented. Commercial jet travel was still a decade away. Tetracycline and other broad spectrum antibiotics were not publicly available. Electro-medical technology was primitive. High temperature plastics, powder metallurgy, high energy metal shaping and other aspects of the materials technology revolution were virtually unknown. And so, 1947 proved to be a threshold year in which to start a company committed to the innovative development and practical application of emerging technologies.

Since then, we have pursued a planned program of diversification to build beyond the single technology from which we derive our name. The possibility of applying solid state

techniques to the promising field of medical electronics led to the acquisition of our Dallons Instruments Division. Our own experience with complex metallurgy in semiconductor device development and the realization that the practical application of scientific theory is increasingly dependent on new materials technology prompted our acquisition of Xalloy Incorporated — our metallurgical alloys subsidiary. And our conviction that semiconductor process and quality control techniques are applicable to pharmaceutical technology directed our decision to establish Rachelle Laboratories, Inc., thus becoming the first American company with a major stake in both electronics and ethical drugs. At the same time, IR's basic business continued to expand as a result of new developments in semiconductor technology.

Each of our four fields of interest promises growth far surpassing that of the American economy as a whole. And we have attempted to become an important market force in the faster growing product areas within these four technologies. For example, in power silicon controlled rectifiers (SCR's) — the fastest-growing single

family of discrete devices in the semiconductor field — IR is one of the world's three largest producers.

Benefiting from SCR growth and other factors, International Rectifier Corporation achieved the best sales and earnings in its history. Net income rose to a record \$2,590,020 — equal to \$1.00 a share — on record net sales of \$35,599,523. In fiscal 1966, IR earned a restated \$2,268,523, or 88 cents a share, on restated sales of \$30,009,901. Results for both years include operations of Fermentfarma S.p.A., acquired in April, 1967, reported on a pooling of interest basis.

Specific developments contributing to these results are reviewed in later sections of this report. The following general developments and trends continue to affect operations:

□ SEMICONDUCTOR TECHNOLOGY

— Five years after the introduction of our SCR's made by our still exclusive epitaxial process, power SCR's are the beneficiary of an explosive and far-reaching solid state revolution in the high power conversion field that is perhaps even more dramatic and significant than the earlier revolution in the use of lower power electronic devices. For the first time,

SCR's are being widely specified for heavy industrial uses ranging from electric rapid transit systems and diesel locomotives to DC power transmission and electro-chemical reduction plants. IR's prominence in the power SCR field more than offset the price softness affecting other semiconductor products last year.

□ PHARMACEUTICAL TECHNOLOGY

— The growth of Congressional and public support for the manufacture, prescription and sale of ethical drugs by generic rather than brand names (with resultant cost savings to consumers) is accelerating. While last year's unusually mild influenza season and chloramphenicol pre-production costs resulted in a disappointing profit performance by Rachele Laboratories, our subsidiary's position as the U.S.' leading bulk and finished form generic antibiotic manufacturer gives IR an important and promising stake in this socially-useful field.

□ MEDICAL ELECTRONICS TECHNOLOGY—Widespread acceptance by the medical profession of the multi-patient cardiac and intensive care monitoring systems concept is aiding IR's Dallons Instruments Division which has expanded both its

pioneering modular equipment line, with the introduction of the Automatic Memory Tape Recorder and Elapsed Time Indicator, and its marketing effort into the eastern United States.

□ MATERIALS TECHNOLOGY—Increased interest in high performance materials is leading Xaloy to expand the marketing of its range of proprietary corrosion and abrasion resistant alloys and exclusive bonding techniques beyond the plastics industry on which it had previously concentrated. A new Complex Structures Division is developing applications for nuclear power, heavy mill equipment, and ordnance, as Xaloy also turns its attention to the food processing, packaging, and petrochemical industries.

Our acquisition program last year resulted in the addition of Ferment-farma S.p.A. — a European manufacturer of antibiotics and other ethical drugs — and the purchase of the assets of Douglas Randall (Canada) Ltd. which were used to form a new subsidiary, International Rectifier Canada Limited.

In June, IR moved its corporate headquarters to Los Angeles. The Semiconductor Division remains headquartered in the Los Angeles

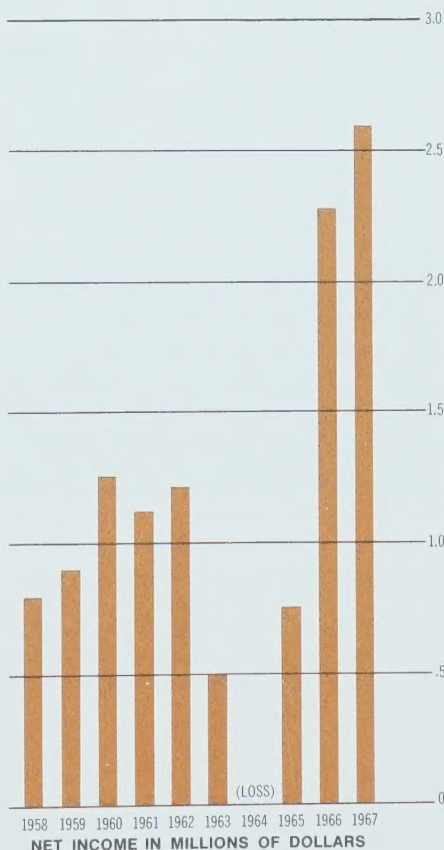
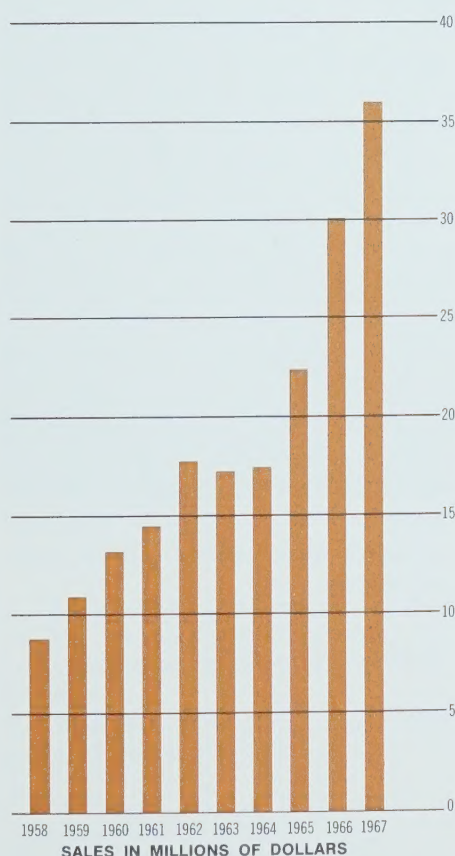
suburb of El Segundo, where corporate offices were prior to the move. Management was further strengthened by the appointment of Nelson P. Bosted (who was formerly in charge of IR's international activities) as Executive Vice President heading the company's operations.

At the end of March, the company sold privately \$5,000,000 of convertible subordinated notes to retire \$2,000,000 of short-term debt, to meet working capital needs, and to finance the acquisition program.

With the end of fiscal 1967, International Rectifier completed the second year of its five year plan. The plan, which is reviewed each quarter, targets annual sales growth at a minimum of 20 percent — an acceleration of IR's compounded annual growth rate of 16 percent during the past decade. The long-term outlook for our four major fields of interest inspires confidence that IR will achieve its planned goals.

Eric Lidow

ERIC LIDOW, President
September 18, 1967



Semiconductor Technology

In the two decades since IR produced its first rectifier, the U.S.' annual electric energy production has increased more than fourfold from 307 billion to 1,248 billion kilowatt hours per year. And it is expected that this figure will reach 8,200 billion kilowatt hours by the year 2000. Although nearly all of this power is generated and transmitted in alternating current (AC) form, some 25 to 30 percent of it must be converted to direct current (DC) for use by homes and industry. It is this power conversion requirement that provides the market growth for the Semiconductor Division's basic product: rectifiers that convert AC to DC at the point of use.

The selenium rectifier which IR began making in 1947 was one of the first semiconductor devices. As it turned out, it was a harbinger of the remarkable solid-state revolution which followed. As a leader in this revolution, IR developed and produced a full range of silicon devices for virtually every industrial endeavor.

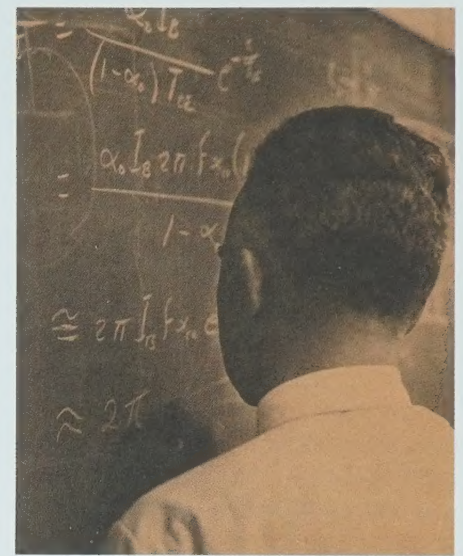
A major breakthrough in the late Fifties was scored with the development of the thyristor — commonly known as the silicon controlled rectifier (SCR) — that not only converts AC to DC, as do all types of power rectifiers, but also controls the recti-

fied power, allowing voltage, current and frequency to be adjusted over a wide range without much of the associated circuitry and machinery otherwise required.

Five years ago, International Rectifier developed its exclusive epitaxial process which enables IR to offer the highest rated SCR's available in the market, with superior voltage, current handling, and dynamic characteristics and a corresponding increase in reliability. Partly as a result of this proprietary technology, IR is now one of the world's three largest producers of power SCR's.

Although power SCR's have been available since 1959, it was not until 1964 that they became widely specified for heavy industrial applications. The total SCR market — which was just \$26 million as recently as 1964 — exploded to an estimated \$60 million in fiscal 1967 and is now expected to surpass \$200 million a year by 1972. The SCR boom last year accounted for more than 50 percent of the rise in Division sales, more than offsetting the price softness that affected some other segments of the semiconductor business.

International Rectifier SCR's are in use today in electric rapid transit systems, giant earth moving equipment, electric trucks, diesel locomotives,

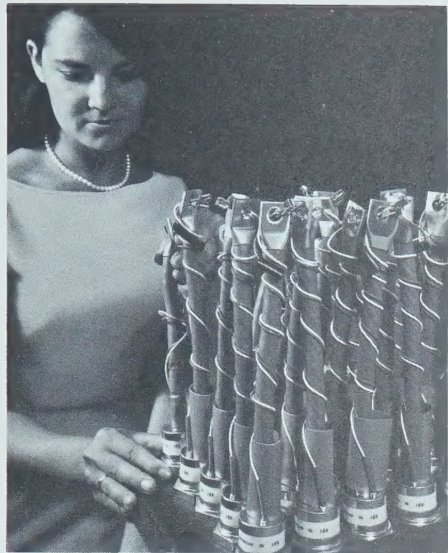


tives, forklift trucks, cranes, hoists, steel mill drives, bauxite reduction plants, elevators, and in such familiar consumer products as electric golf carts and household light dimmers.

Continuing to broaden its product line, the Semiconductor Division last year introduced multiple-gate SCR's for high frequency applications, silicon solid-state ignitron tube replacements which eliminate the need for water cooling, and several voltage regulating elements for electronic applications.

Facilities expansion during the year included the addition of a 30,000 square foot building in El Segundo, the completion of a new eastern headquarters facility in Englewood, New Jersey, and the expansion and modernization of research and development laboratories in El Segundo.

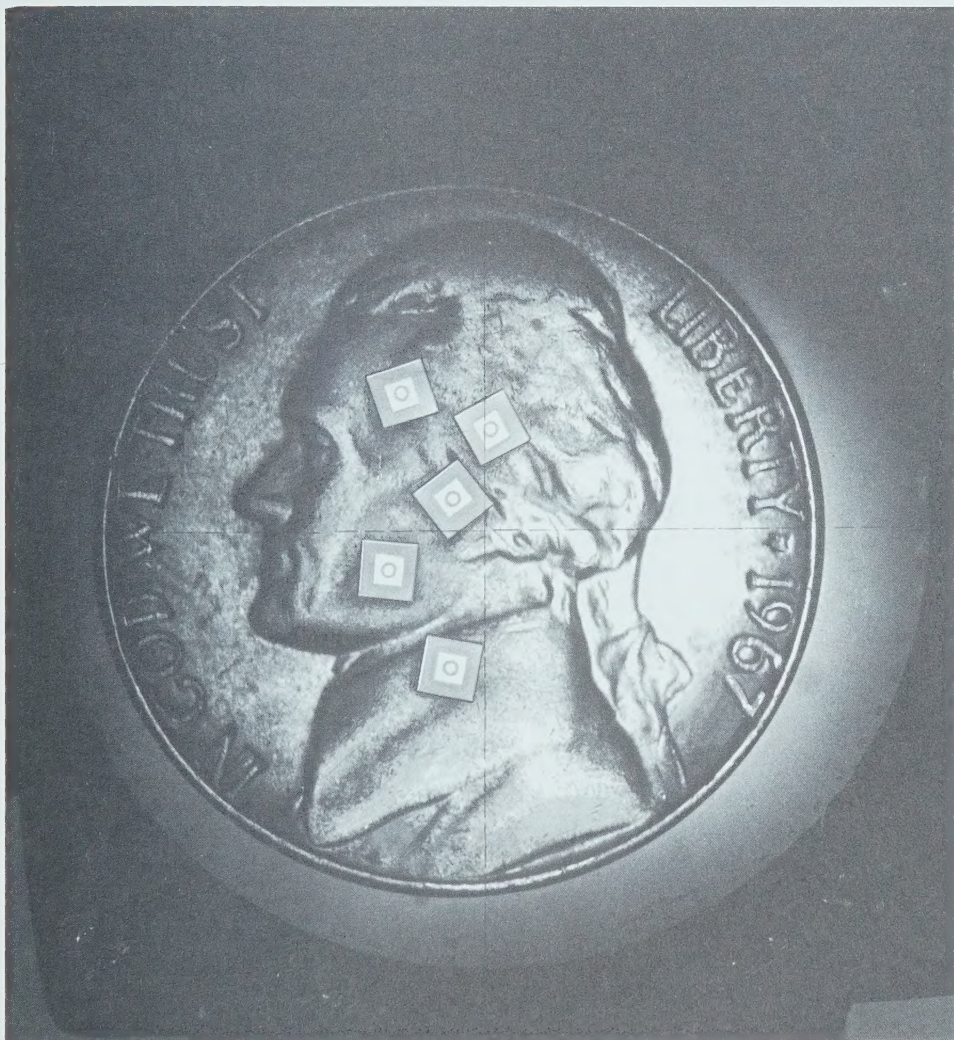
And what of the future? As fiscal 1967 ended, IR was preparing to announce a dramatic breakthrough in semiconductor technology: a remarkable device with 20 times the capability of comparable devices now on the market. IR is resolved to maintain its leadership in the future as the electric automobile, oceanographic equipment, air and pollution control equipment and, eventually, anything electrical that rotates create new markets to serve.



A



B

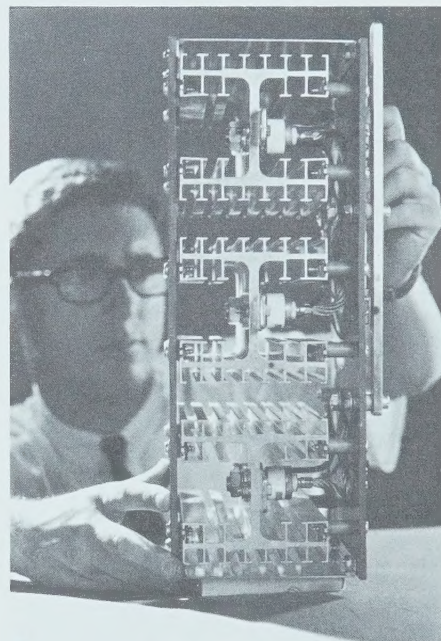


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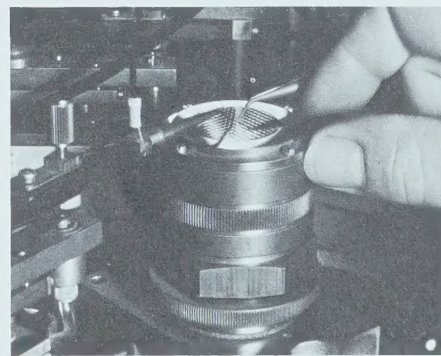
A IR's exclusive epitaxial process has enabled the Company to produce the highest rated silicon controlled rectifiers available.

B Partial view of a fusion area where power SCR's are processed.

C Planar chips pictured on a five cent piece, illustrating the extremely small size of complex junctions produced using the latest micro-circuit technology.



D



E

D SCR assemblies offer equipment manufacturers higher efficiency in a fraction of the space previously required by other devices.

E The wafer pictured during electrical in-process testing can produce more than 150 rectifier junctions.

Pharmaceutical Technology

In an era of increasing consumer sophistication, generic drugs are showing evidence of being as unstoppable as an idea whose time has come.

All pharmaceuticals approved for sale in the U.S. must be given an official or "generic" name, and it is this name that is taught in schools of medicine and pharmacy. But individual pharmaceutical companies are permitted to register exclusive unofficial or "brand" names for the same drugs. These names are sometimes easier to pronounce and are better known because of expensive and extensive promotion to physicians through "detail men." The branded product typically sells at a substantial premium over the identical generic equivalent.

With the advent of Medicare and complementary state-supported medical programs, Congressional and public attention has increasingly focused on the savings that could be achieved by widespread generic prescribing. Helped by this growing support, generic prescriptions in drugstores have risen by some 19 percent

in the past three years. Generic prescriptions for tetracycline alone — the leading broad spectrum antibiotic and a major product of International Rectifier's Rachelle Laboratories, Inc. subsidiary — have risen an even more dramatic 325 percent in the same period. It is estimated that in the growing hospital and institutional market, where the cost of pharmaceuticals is a crucial factor in controlling spiraling costs, a full 40 percent of drugs used are purchased generically.

Since its establishment in 1962, Rachelle Laboratories has had a basic commitment to produce in both bulk and finished form the highest quality ethical pharmaceuticals of wholly American manufacture. These are sold either in generic form or under trade names at a generic price. Initially a producer only of tetracycline hydrochloride (and a prime supplier of that drug to the United States Government), Rachelle has expanded its product line to include sulfas, antihistamines, antacid agents, veterinary products, selected anesthetics, as well as both chlor-



A

tetracycline and oxytetracycline.

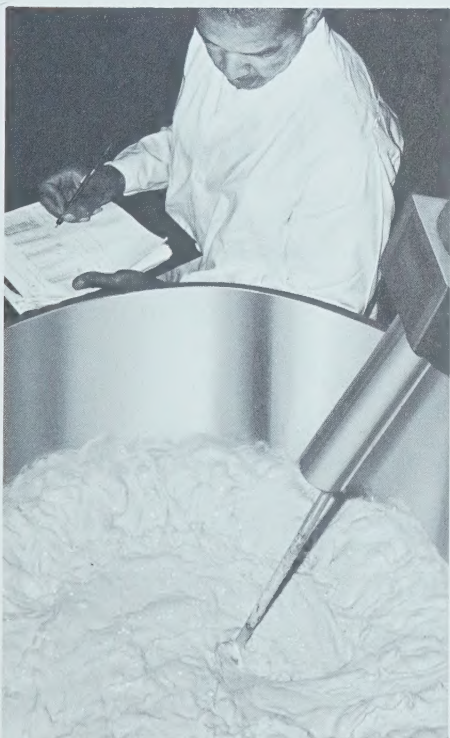
In July, 1967, Rachelle began the production of chloramphenicol, becoming only the second wholly American company chemically manufacturing the widely prescribed antibiotic in bulk form, starting with basic raw materials. Rachelle is the *only* American firm in basic production of both chloramphenicol and the family of tetracyclines, which together account for some 85 percent of the \$330-million-a-year domestic broad spectrum antibiotic market.

Rachelle last year expanded its research efforts which are now concentrated on the development of new steroids and diuretics. A joint research program with the Weizmann Institute of Science in Israel is focusing on cardiovascular and anti-inflammatory drugs.

While chloramphenicol pre-production costs and a low incidence of infection due to exceptionally mild weather resulted in profits last year below management targets, Rachelle's leading and unique position in the promising generic market offers prospects of future growth.



B



C

A A molecular model of a steroid, the subject of an expanded research program at Rachelle.

B Rachelle's varied pharmaceutical products are collected and prepared in an inert atmosphere at the expanded sterile facility.

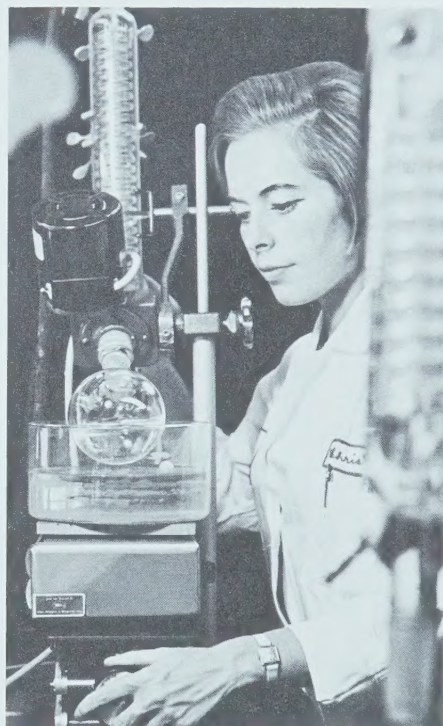
C Production of chloramphenicol, a widely used broad spectrum antibiotic shown here in bulk form, was begun in July, 1967.

D Capsule filling machine with a production rate of 26,000 capsules per hour.

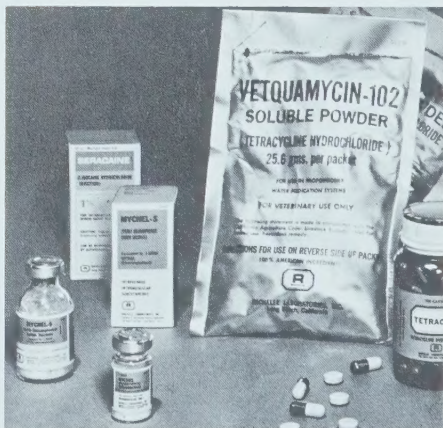
E Laboratory preparation of steroidal research material.



D



E



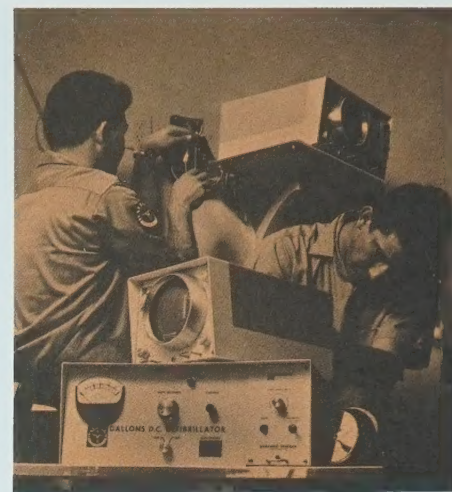
Early this July, a 57-year-old California housewife with a history of heart trouble suffered a heart attack in her hospital room while awaiting a scheduled minor operation. She was immediately resuscitated and transferred to the hospital's coronary and intensive care ward where she had 32 cardiac arrests in the next 24 hours, some as close together as fifteen minutes. (Usually, a patient can survive no more than five or ten such attacks.) Fifteen more cardiac arrests occurred in the next three days. Each was detected on a Dallons Cardioscope and Heart Rate Monitor at an Automatic Central Station and recorded on a Dallons programmable "Auto-Graph" Electro-cardiograph. The woman, who is now recovered and leading an apparently normal life, was in effect rescued from the brink of death 48 times in four days.

While few cases are as dramatic as this one, it is estimated that if all of the nation's hospitals were equipped with coronary intensive care systems, some 45,000 people suffering fatal coronary occlusions could be saved each year and returned to productive life.

In addition to saving lives, medical electronics is helping to combat spiralling hospital costs per patient, which have risen fivefold in the past twenty years. Monitoring systems are a partial answer to the critical nursing shortage — heightened by the sharp rise in the hospital population — because they increase the life-saving power of the individual nurse by enabling her to give each patient uninterrupted intensive care.

While the demand for all medical electronics products is growing a respectable 10 to 15 percent a year, the demand for intensive care monitoring equipment (the area of Dallons Instruments' concentration) has been growing a remarkable 30 to 40 percent a year.

The Dallons Instruments Division has pioneered the "building block" principle in intensive care monitoring equipment. The completely modular equipment design permits periodic addition or change of individual instruments in a system, thus removing the possibility of "obsolescence." Whatever the size of the initial installation, it can be expanded or modi-

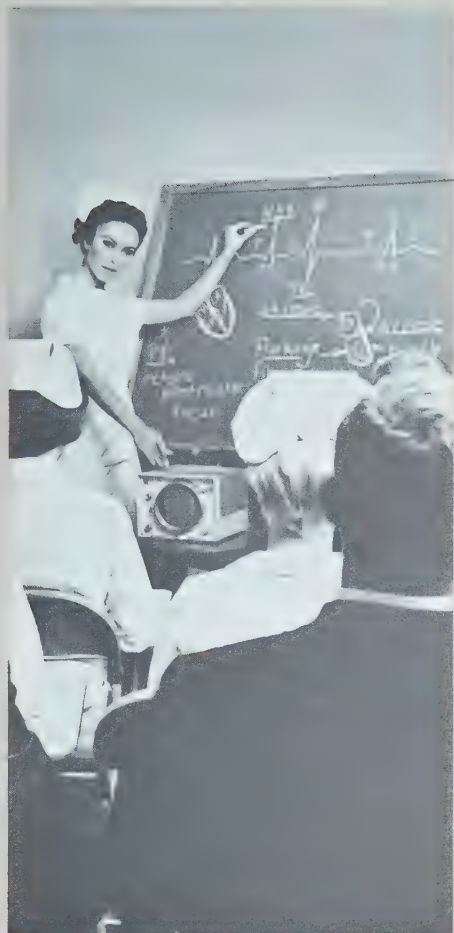


A

fied according to the needs of the hospital. Critical instruments are equipped with standby battery power to assure operation even in the event of power failure. The extensive use of solid state components and the application of advanced semiconductor technology produces small size, crisis-safe reliability, high performance, and instant readiness for use after turn-on.

Two new instruments introduced by Dallons last year are the Automatic Memory Tape Recorder, which provides a continuous tape-loop record of a heart pattern prior to and immediately following a heart arrest, and the Elapsed Time Indicator which accurately pinpoints time since a heart stoppage and time remaining to accomplish resuscitation.

The imaginative design of Dallons instruments, coupled with high quality standards of craftsmanship, last year enabled the Division to record its first profit since its entry into the intensive care monitoring field. And although it is IR's smallest division, Dallons is growing faster than the company as a whole.



B



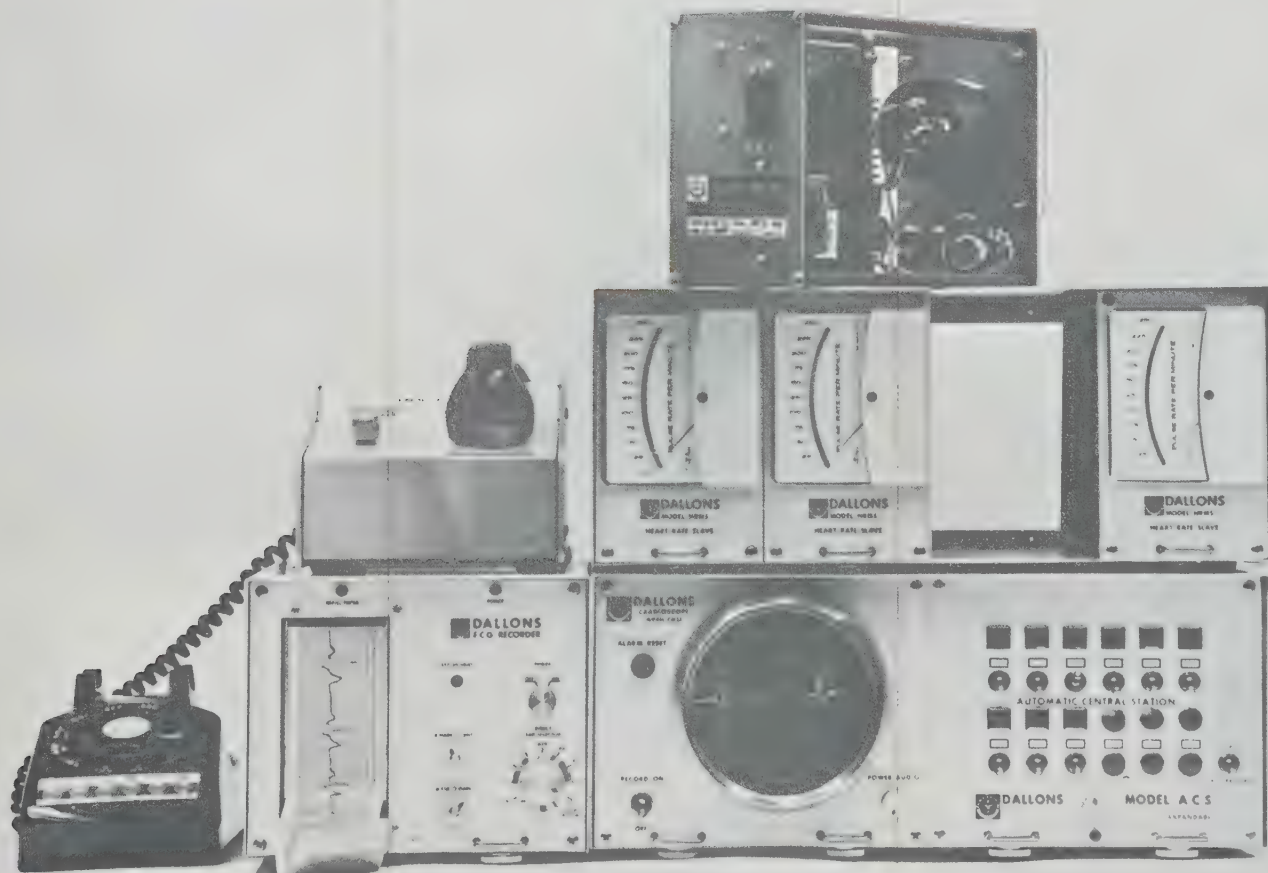
C

A Dallons systems are designed for ease of installation in any hospital, old or new, on a modular basis that permits expansion or modification and eliminates obsolescence.

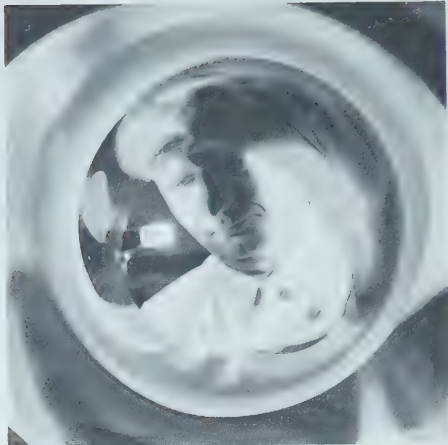
B Thorough orientation classes and training sessions are provided to hospitals acquiring Dallons monitoring systems.

C The recently completed intensive care ward of the Edgewater Hospital in Chicago is equipped with a Dallons monitoring system providing complete, simultaneous surveillance of ten patients.

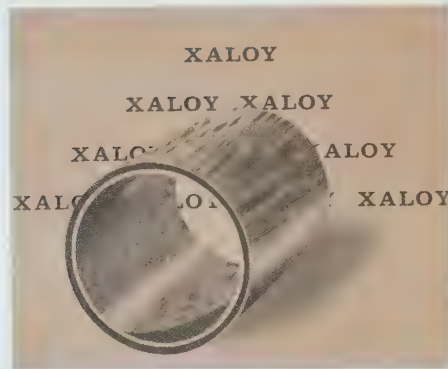
D The Dallons "building block" principle permits any combination of these and other modules according to hospital need.



D



C

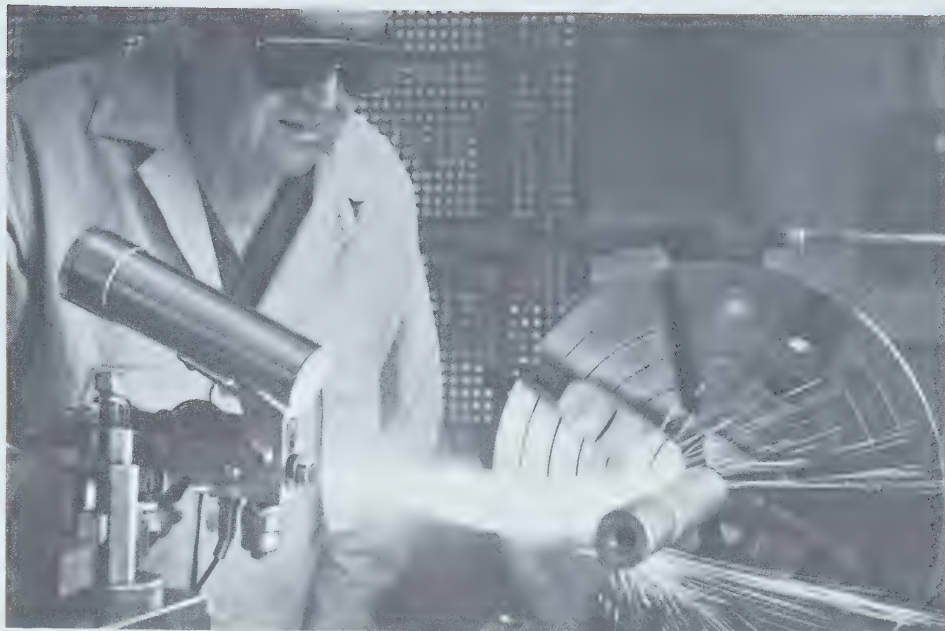


A Exacting quality control during the grinding and polishing of Xaloy surfaces bonded to steel rolls assures a finished layer 20 to 30 times thicker than conventional chrome-plated rolls can offer.

B Metallurgical bonding of high performance corrosion and abrasion resistant alloys to the inside of steel cylinders takes place under high temperatures and centrifugal force.

C Internally lined cylinders are ground and polished to a mirror finish.

D New techniques for bonding alloys with higher limits of performance are constantly under development at Xaloy's research laboratories.



D

The accelerating advance of technology has placed increased emphasis on the development of high performance materials. In many fields, Man's theoretical knowledge has leaped ahead of the materials with which he can now work. New equipment capable of expanded functions requires, for example, metallurgical alloys with higher limits of such performance characteristics as corrosion and abrasion resistance.

IR's Xaloy (pronounced EX-alloy) Incorporated subsidiary has developed an exclusive and proprietary array of twelve materials, including a high boron ferrous alloy with certain additions essential to hardness and wear resistance and a nickel-cobalt ferrous alloy containing complex carbo-borides. Advanced metallurgical deposition methods chemically bond Xaloy to the inner or outer surface of steel cylinders or other

shaped metal. The resulting product has five times the corrosion and abrasion resistance of alternative materials. Hardness and wear-resistant characteristics are inherent, and are not dependent on heat treating, chilling or plating.

Since its acquisition by IR in 1961, Xaloy (formerly known as Industrial Research Laboratories) has concentrated its efforts on solving the metallurgical problems of the fast-growing plastics and rubber industries, providing liners and barrels for continuous extrusion equipment, preplasticizing cylinders for straight ram type or screw extruder type injection molding machines, and accumulators for blow molding machines. It has achieved a dominant position in these markets. But since most industries — civilian and military — are plagued by corrosion and abrasion problems, Xaloy has in-

creasingly sought new applications for its wonder metals.

In the past year, uses have been developed for the food processing, packaging, steel mill and petrochemical industries. Evaluations by several agencies of the Defense Department have led to new opportunities in classified government applications.

An Applications Laboratory has been established to translate Xaloy's metallurgical bonding techniques and problem-solving capabilities to new markets.

Xaloy's headquarters and main plant are located in New Brunswick, New Jersey. A branch plant in Pulas-ki, Virginia, and two branch plants in Uniontown, Pennsylvania, offer additional capacity. And as the fiscal year ended, Xaloy, S.A.'s new plant in Liege, Belgium came on stream to produce its products for the growing European market.

International Operations

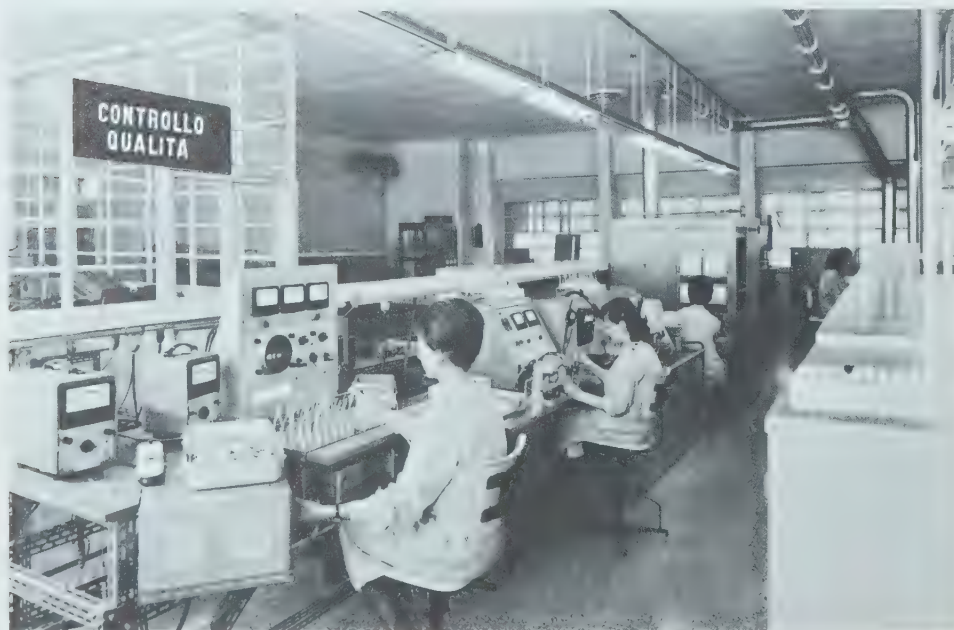
International Rectifier's extensive international operations, encompassing three of its four technological fields of interest, continued to play an important part in the company's success.

In the semiconductor field, a central administrative office was established in London to coordinate the activities of IR's fifty-percent-owned British, Belgian and Italian joint-venture manufacturing companies. International Rectifier Corporation Italiana S.p.A., sharing in what is now an \$8 billion a year European electronics market, announced plans to erect a new 35,000 square-foot plant that more than doubles present capacity. In December, 1966, IR acquired for cash the assets of Douglas Randall (Canada) Ltd. which form the basis of a new subsidiary, International

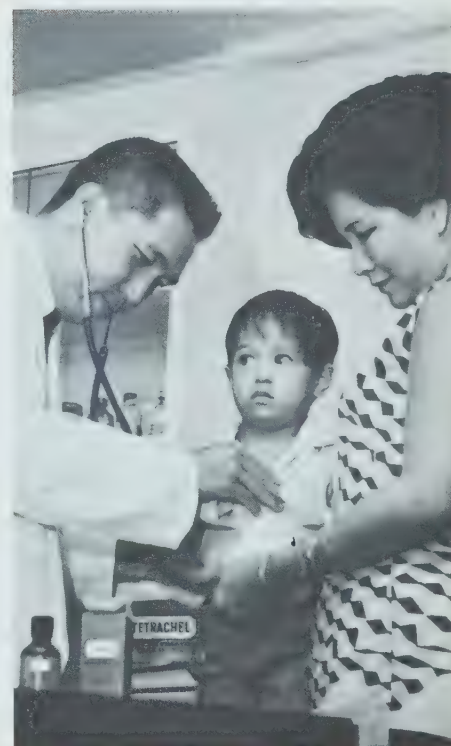
Rectifier Canada Limited.

IR's expanding worldwide position in ethical drugs was strengthened by the acquisition in April of Ferment-farma S.p.A., a Milan, Italy-based producer of antibiotics and other pharmaceuticals. Rachelle Laboratories (Philippines), Inc. is enjoying good growth and moved to larger quarters during the year. As fiscal 1967 ended, Rachelle Pharmaceutical International, S.A. was in the process of formation in the European Common Market headquarters city of Brussels. The new subsidiary will coordinate IR's international drug marketing efforts in Europe and elsewhere.

In June, Xaloy, S.A. completed its Liege, Belgium plant to serve the promising European market for its proprietary metallurgical alloys.



B



C

A Quality control testing at International Rectifier Italiana.

B Measuring the inside diameter of an Xaloy bimetallic cylinder at the Liege, Belgium plant.

C Rachelle pharmaceuticals are now being widely used in the Philippines.

GLOSSARY OF SELECTED TECHNICAL TERMS USED IN THIS REPORT

Alternating Current (AC) — An electric current that cyclically reverses its direction of flow.

Broad-Spectrum Antibiotics — A term applied to drugs proven to be effective in the treatment of a wide variety of infections, as compared to other types that are effective against only a few microorganisms. Rachele's tetracycline and chloramphenicol are the two most widely used broad-spectrum antibiotics. Penicillin, on the other hand, is considered a narrow spectrum antibiotic.

Cardiac Arrest — A sudden and complete stop of heart action. Re-establishment of heart beat is essential within four minutes to forestall permanent brain damage from lack of oxygen.

Cardiovascular Drugs — Those drugs effective in the treatment of diseases of the heart and blood vessels.

Chloramphenicol — A broad-spectrum antibiotic originally isolated from cultures of soil microorganisms, but now produced synthetically by Rachele.

Diode — Any device that is a two-terminal, unidirectional conductor of electricity.

Direct Current (DC) — An electric current that flows in one direction.

Epitaxial Processing — The technology, which only IR has been able to apply to SCR's, for condensing atoms onto a substrate of a single crystal of the same material in such a way that the deposited layer is a continuation of the crystalline substrate.

Ethical Drugs — Prescription and non-prescription drugs which are marketed primarily to the medical profession.

Generic Drugs — Drugs identified and sold under the official name recognized as standard by medical science, as distinguished from drugs sold under trade or brand names.

Rectifier — A diode or assembly of diodes used for converting AC power into DC power.

Selenium — Element Number 34, used as a rectifying layer in certain metallic rectifiers. It is also used in photoelectric cells.

Selenium Rectifier — An area-type metallic rectifier assembly comprised of aluminum plates on which selenium is deposited.

Semiconductors — Materials selectively exhibiting conducting or non-conducting electrical characteristics according to their crystalline structure, temperature and impurity content.

Silicon — Element Number 14, which is a semiconductor used to make rectifiers, transistors, and other devices. It is one of the most abundant elements on earth.

Silicon Controlled Rectifier (SCR) — A three-terminal silicon semiconductor device that may be used to convert AC to DC or DC to AC and further is capable of controlling output current by the application of a small amount of power to the gate terminal.

Steroids — Hormones that exert stimulatory effect on cellular activity.

Tetracycline(s) (Family of) — Broad-spectrum antibiotics manufactured by fermentation processes involving use of the genus streptomyces. The most commonly used are tetracycline hydrochloride, chlortetracycline (used widely in veterinary and animal feed applications), and oxytetracycline. IR produces all three.



*Vials are filled in an inert atmosphere at
Rachelle's sterile facility.*

Ten Year Financial Summary

Results for Year Ended June 30

	Sales	Income Before Taxes	Provision For Income Taxes	Net Income (Loss)	Earnings (Loss) Per Share	Depreciation
1967	\$35,599,523	\$ 4,418,903	\$ 1,828,883	\$ 2,590,020	\$1.00	\$877,242
1966	30,009,901	3,881,741	1,613,218	2,268,523	.88	737,459
1965	22,405,064	1,257,605	510,456	747,149	.29	542,682
1964	17,320,542	(2,734,209)	(1,313,193)	(1,421,016)	(.56)	459,188
1963	17,289,098	798,154	335,513	484,865	.19	436,341
1962	17,882,213	2,371,949	1,262,326	1,207,282	.48	317,159
1961	14,512,735	2,312,799	1,232,496	1,108,216	.44	204,710
1960	13,124,586	2,610,941	1,362,001	1,248,940	.49	162,798
1959	10,870,038	1,844,923	950,379	894,544	.38	135,072
1958	8,766,173	1,604,827	826,111	778,716	.35	115,214

Position at Year End, June 30

	Working Capital	Current Ratio	Property, Plant and Equipment, Net	Retained Earnings	Shareholders' Equity	Percent To Total Assets
1967	\$13,969,288	3.5 to 1	\$ 8,919,929	\$ 7,255,526	\$15,820,718	47.1
1966	9,067,763	2.5 to 1	7,046,482	4,665,506	13,087,226	51.8
1965	8,365,135	3.9 to 1	5,060,719	5,211,250	10,456,161	53.9
1964	8,327,195	4.7 to 1	4,665,987	4,464,101	9,709,012	53.4
1963	9,333,785	6.5 to 1	4,823,318	5,885,117	11,130,028	61.1
1962	7,700,717	4.0 to 1	4,244,132	5,400,252	10,645,163	66.2
1961	6,222,061	3.8 to 1	2,385,145	4,186,325	9,408,196	80.6
1960	5,887,064	4.8 to 1	1,955,531	3,106,022	8,234,425	84.0
1959	3,242,140	3.2 to 1	1,299,678	2,859,635	4,872,586	78.4
1958	2,079,849	2.8 to 1	724,974	2,913,091	2,965,091	79.2

Note:

The above summary includes the operations and financial data of Fermentfarma S.p.A. on a pooling of interests basis for the years ended in 1967 and 1966. For years prior to 1966 the summary has not been restated from amounts previously reported. The approximate net income and earnings per share including Fermentfarma S.p.A. on a pooling of interests basis for the years ended in 1965, 1964 and 1963 are shown in the tabulation at right.

Year Ended June 30	Net Income (Loss)	Earnings (Loss) Per Share
1965	\$ 800,000	\$.31
1964	(1,550,000)	(.60)
1963	450,000	.18

Earnings per share are based on the average number of shares outstanding each year, adjusted for stock dividends and stock splits.

CONSOLIDATED

June 30,

ASSETS

	<u>1967</u>	<u>1966</u>
CURRENT		
Cash, including time deposits of \$850,000 in 1967 and \$1,596,945 in 1966	\$ 1,761,562	\$ 2,259,620
U. S. Government and other marketable securities, at cost, approximately market.	3,118,319	896,773
Accounts receivable, less allowance for doubtful accounts	7,383,644	6,445,184
Inventories, at lower of cost or market	7,094,154	5,371,646
Prepaid expense	287,455	323,574
Total current assets	19,645,134	15,296,797
Investments in foreign associate companies	1,155,710	849,222
Receivables from foreign associate companies	1,368,210	1,241,025
Property, plant, and equipment, at cost, less accumulated depreciation	8,919,929	7,046,482
Product development costs, less amortization	521,590	635,059
Patents, licensing agreements, and other intangible assets, at cost, less amortization.	2,001,693	209,759
	<u>\$33,612,266</u>	<u>\$25,278,344</u>

The accompanying notes are an

CORPORATION and subsidiaries

BALANCE SHEET

1967 and 1966

LIABILITIES

	<u>1967</u>	<u>1966</u>
CURRENT		
Notes payable, due within one year	\$ 883,122	\$ 804,275
Accounts payable	2,218,796	2,121,367
Salaries, wages, and commissions	692,931	750,653
Payroll, state, and local taxes	281,267	383,708
Other accrued expenses	697,772	534,132
Federal income tax	901,958	1,634,899
Total current liabilities	5,675,846	6,229,034
Notes payable, due after one year	11,284,097	5,175,538
Deferred credits	831,605	786,546

SHAREHOLDERS' EQUITY

Common shares, authorized 5,000,000 shares, \$1 par value; issued and outstanding 2,584,706 shares in 1967; 2,570,952 shares in 1966	2,586,706	2,572,952
Capital contributed in excess of par value of shares	5,978,486	5,848,768
Retained earnings	7,255,526	4,665,506
	<u>\$33,612,266</u>	<u>\$25,278,344</u>

egral part of this statement.

INTERNATIONAL RECTIFIER CORPORATION and subsidiaries

CONSOLIDATED STATEMENT OF INCOME

For the years ended June 30, 1967 and 1966

	1967	1966
Sales	\$35,599,523	\$30,009,901
Equity in earnings and other income relating to foreign associate companies	433,397	192,255
Miscellaneous income	278,958	276,312
	<u>36,311,878</u>	<u>30,478,468</u>
Costs and expenses:		
Costs, excluding items listed below	21,660,251	18,625,974
Depreciation	877,242	737,459
Amortization, principally product development costs	473,289	406,163
Selling and administrative	8,236,388	6,345,296
Provision for employees' profit-sharing and retirement plans	215,000	170,000
Interest	430,805	311,835
	<u>31,892,975</u>	<u>26,596,727</u>
Income before provision for income taxes	4,418,903	3,881,741
Provision for income taxes	1,828,883	1,613,218
Net income	<u>\$ 2,590,020</u>	<u>\$ 2,268,523</u>
Net income per share of common stock	<u>\$1.00</u>	<u>\$.88</u>

The accompanying notes are an integral part of this statement.

INTERNATIONAL RECTIFIER CORPORATION and subsidiaries

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

For the years ended June 30, 1967 and 1966

	Common Shares	Capital Contributed in Excess of Par Value of Shares	Retained Earnings	Total
Balance, June 30, 1965, as previously reported	\$ 2,414,542	\$ 2,830,369	\$ 5,211,250	\$10,456,161
Arising from pooling of interests	35,000	125,000	173,677	333,677
Balance, June 30, 1965, as restated	2,449,542	2,955,369	5,384,927	10,789,838
Issuance of 120,725 shares in payment of stock dividend, including 2,000 shares issued from treasury	120,725	2,867,219	(2,987,944)	
Issuance of 2,685 shares for cash upon exercise of stock options	2,685	26,180		28,865
Net income for the year ended June 30, 1966			2,268,523	2,268,523
Balance, June 30, 1966	2,572,952	5,848,768	4,665,506	13,087,226
Issuance of 13,754 shares for cash upon exercise of stock options	13,754	129,718		143,472
Net income for the year ended June 30, 1967			2,590,020	2,590,020
Balance, June 30, 1967	<u>\$ 2,586,706</u>	<u>\$ 5,978,486</u>	<u>\$ 7,255,526</u>	<u>\$15,820,718</u>

The accompanying notes are an integral part of this statement.

INTERNATIONAL RECTIFIER CORPORATION and subsidiaries

**CONSOLIDATED STATEMENT OF
SOURCE AND DISPOSITION OF WORKING CAPITAL**

For the years ended June 30, 1967 and 1966

Source of working capital:	1967	1966
Net income	\$ 2,590,020	\$ 2,268,523
Depreciation	877,242	737,459
Amortization, principally product development costs	473,289	406,163
Long-term borrowings	6,308,559	513,768
Sundry	188,531	88,463
	<u>10,437,641</u>	<u>4,014,376</u>
Disposition of working capital:		
Net additions to property, plant and equipment	2,750,689	2,397,226
Acquisition of patents and licensing agreements	1,515,858	20,000
Investments in foreign associate companies	306,488	59,254
Investments in product development and other intangible assets	635,896	
Increase in receivables from foreign associate companies	127,185	172,326
Long-term debt payments	200,000	609,257
	<u>5,536,116</u>	<u>3,258,063</u>
Increase in working capital	<u>\$ 4,901,525</u>	<u>\$ 756,313</u>

The accompanying notes are an integral part of this statement.

INTERNATIONAL RECTIFIER CORPORATION and subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 1967 and 1966

Principles of Consolidation:

The accompanying financial statements set forth the consolidated financial position and operating results of International Rectifier Corporation and subsidiaries.

In April, 1967 the company acquired all the outstanding shares of Fermentfarma, S.p.A., an Italian company, in exchange for 35,000 shares of common stock. This transaction has been accounted for as a pooling of interests. Accordingly, the operations of Fermentfarma, S.p.A. have been included for the entire year ended June 30, 1967 and the financial statements for the year ended June 30, 1966 have been restated to give effect to the pooling.

Investments in Foreign Associate Companies:

Investments at June 30 comprise:

	1967	1966
Mature joint-venture corporations:		
Cost	\$ 720,569	\$ 602,186
Equity in undistributed earnings	435,141	195,036
	<u>1,155,710</u>	<u>797,222</u>
Joint-venture corporation in development stage, at cost..		52,000
	<u>\$ 1,155,710</u>	<u>\$ 849,222</u>

Inventories:

Raw materials and purchased parts are stated at the lower of cost or market, computed on a first-in, first-out method. Work in process and finished goods are valued principally at the lower of average production cost or market. Inventories at June 30 are:

	1967	1966
Raw materials and purchased parts	\$ 2,404,785	\$ 1,792,297
Work in process	2,377,431	1,918,966
Finished goods	2,311,938	1,660,383
	<u>\$ 7,094,154</u>	<u>\$ 5,371,646</u>

Property, Plant, and Equipment:

At June 30 the companies' combined investment in property, plant, and equipment is:

	1967	1966
Buildings and improvements to leased premises	\$ 3,078,760	\$ 2,613,364
Equipment	8,763,487	7,195,791
	<u>11,842,247</u>	<u>9,809,155</u>
Less, Accumulated depreciation	4,106,503	3,248,980
	<u>7,735,744</u>	<u>6,560,175</u>
Land	551,577	354,862
Construction in progress	632,608	131,445
	<u>\$ 8,919,929</u>	<u>\$ 7,046,482</u>

Other premises occupied by the companies are leased. Certain equipment is being used by a subsidiary under a long-term lease. The leases are for periods extending to 1987 and require current annual rental payments of approximately \$437,000.

Product Development Costs:

Unrecovered costs to develop pharmaceutical products, including tetracycline, are being amortized over a period of four years. Total accumulated amortization at June 30, 1967 is \$1,122,717 and \$755,840 at June 30, 1966. Management believes that future profits from sales of the products will be sufficient to recover these costs.

Patents and Other Intangible Assets:

The patents and other intangible assets at June 30 comprise:

	1967	1966
At cost:		
Pharmaceutical patents and licensing agreements . . .	\$ 1,460,435	
Foreign plant preoperating expense	346,455	
Sundry	440,388	\$ 348,932
	2,247,278	348,932
Accumulated amortization	245,585	139,173
	<u>\$ 2,001,693</u>	<u>\$ 209,759</u>

The pharmaceutical patents and licensing agreements acquired in April, 1967 are being amortized over a six-year period. Foreign plant preoperating expense will be amortized over a maximum of five years beginning January 1, 1968.

Employees' Profit-Sharing and Retirement Plans:

Contributions to the plans are determined by the boards of directors and are limited to an average of 15% of the aggregate compensation to eligible employees. Provision for contributions applicable to the year ended June 30, 1967 is included in the accompanying financial statements.

Deferred Credits:

Deferred credits at June 30 comprise:

	1967	1966
Unamortized investment credit	\$ 262,244	\$ 220,683
Deferred federal income tax . .	373,707	431,587
Deferred gain, principally on sales of property	195,654	134,276
	<u>\$ 831,605</u>	<u>\$ 786,546</u>

The company follows the policy of taking the investment credit into income over the lives of the related assets.

Deferred federal income tax arises from differences between financial and tax reporting of product development costs and depreciation expense. Payment of such tax is deferred to future years when deductions previously made for tax purposes will be charged to expense in the financial statements.

The company sold certain property and concurrently entered into leaseback arrangements. The gain on these sales has been deferred and is being amortized over the lives of the leases.

Notes Payable:

Notes payable at June 30, 1967 comprise:

	Due within One Year	Due after One Year
Without collateral:		
Notes payable to banks with interest from 6% to 7¼%	\$ 600,000	\$ 75,000
5¼% sinking fund note dated February 11, 1963, maturing January 1, 1983, payable in semiannual installments of \$100,000 and increasing to a maximum of \$200,000	200,000	4,400,000
5¾% convertible subordinated notes dated April 1, 1967 due April 1, 1987 with interest payable semiannually		5,000,000
8.57% note dated April 13, 1967 to Painco Finanz und Handels Anstalt due April 12, 1969		830,000
	<u>800,000</u>	<u>10,305,000</u>
With collateral:		
5¼% mortgage on property, payable in monthly installments of \$1,582, including interest	8,033	186,013
5% mortgage on property, payable in quarterly installments of \$6,907, including interest	11,509	315,119
Foreign bank loans to Belgian subsidiary with effective interest at 4.2% . .		477,965
Sundry	63,580	
	<u>\$ 883,122</u>	<u>\$11,284,097</u>

Notes Payable, Continued:

On March 31, 1967 the company issued \$5,000,000 of 5¼% convertible subordinated notes due April 1, 1987 with interest payable semiannually. The notes may be converted at any time into common shares at \$26.50 per share. The company has reserved 188,679 shares for conversion of these notes. Beginning April 1, 1978, the company is required to make annual payments of \$540,000 into a sinking fund.

Dividend Restriction:

Under terms of long-term debt agreements, International Rectifier Corporation is restricted as to the payments of dividends (except dividends payable in capital shares of the company) and payments for repurchase of its capital shares. At June 30, 1967, under the most restrictive covenant, approximately \$3,500,000 was available for such payments.

Stock Option Plan:

Under the company's incentive plans for key employees, options are granted to purchase the company's shares. Options are exercisable in cumulative annual installments ranging from 20% one year from date of grant to 50% three years from date of grant. Options expire five to six years from date of grant.

The share prices for options granted prior to July 1, 1964 are 95% of market price on dates of grant; the share prices for options granted subsequent to July 1, 1964 are 100% of market price on the dates of grant.

At July 1, 1966, there were outstanding options for 86,131 shares at an average price of \$7.65. During the year options were granted on 20,604 shares at an average price of \$21.49, options were exercised on 13,754 shares at an average price of \$10.43, and options for 8,190 shares expired or were canceled. At June 30, 1967, options for 84,791 shares were outstanding at an average price of \$10.42.

An additional 60,114 shares were available for future options at June 30, 1967. The number of shares and prices herein have been adjusted for the 1966 stock dividend.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

LYBRAND, ROSS BROS. & MONTGOMERY
CERTIFIED PUBLIC ACCOUNTANTS

COOPERS & LYBRAND
IN AREAS OF THE WORLD
OUTSIDE THE UNITED STATES

To the Board of Directors,
International Rectifier Corporation,
Los Angeles, California

We have examined the consolidated balance sheet of International Rectifier Corporation and subsidiaries as of June 30, 1967 and the related consolidated statements of income and shareholders' equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements for the year ended June 30, 1966.

We have made similar examinations of the accompanying consolidated statement of source and disposition of working capital which, in our opinion, when considered in relation to the basic financial statements, presents fairly the source and disposition of working capital of International Rectifier Corporation and subsidiaries for the years ended June 30, 1967 and 1966.

In our opinion, the accompanying balance sheet and the related statements of income and shareholders' equity present fairly the consolidated financial position of International Rectifier Corporation and subsidiaries at June 30, 1967 and 1966 and the consolidated results of operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Lybrand, Ross Bros. & Montgomery

Los Angeles, California
September 8, 1967



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INTERNATIONAL RECTIFIER CORPORATION

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